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ABSTRACT

The State Parental Leave Study, which was conducted by the Families and Work Institute, covered the states of Minnesota, Oregon, Rhode Island, and Wisconsin. It was found that: (1) Implementation of state leave legislation was easy for the vast majority of employers; (2) The majority of employers did not report substantial costs resulting from the legislation; (3) The vast majority of employers did not cut back on health insurance benefits as a result of the laws; (4) Relatively few employers relied on temporary workers to replace employees on leave; (5) Small companies did not have more difficulty in complying with leave laws than did large ones; (6) There was little change in the way most mothers took parental leave before and soon after the enactment of legislation; (7) After enactment, the proportion of women who took less than the medically advised minimum of 6 weeks off after childbirth decreased; (8) Women from lower-income households took less time off after childbirth than did other women; (9) In Rhode Island, where temporary disability insurance was available, women were least likely to take fewer than 6 weeks off; (10) A total of 85 percent of biological mothers returned to the same employers after their leaves; (11) After enactment of leave statutes, fathers were more likely to take time off and use unpaid leave policies to do so; and (12) Only one in seven employers had prestatute policies and practices that met the requirements of proposed federal leave legislation. (SAK)

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BEYOND THE PARENTAL LEAVE DEBATE: THE IMPACT OF LAWS IN FOUR STATES

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EXECUTIVE SUMMARY

The introduction of parental leave before the U.S. Congress in 1985 triggered a national debate that became especially pronounced when federal legislation was passed but then vetoed by President Bush in 1990, and again when leave bills were reintroduced in both chambers of Congress in 1991. The difference of opinion has revolved around the question of whether legislated parental leave would have a positive or negative impact on business and parent employees. The purpose of *The State Parental Leave Study,** conducted by the Families and Work Institute and begun in 1988, was to identify the major issues in this debate and to use the natural experiment occurring in the states—the passage of state parental leave laws—to obtain a look at the ways state legislation, very soon after its passage, was affecting both employees and employers.

Four states were selected for this study: Minnesota, Oregon, Rhode Island, and Wisconsin. These states were chosen because their leave policies differ on several important aspects related to the policy debate. Two of the states provide leaves of 6 weeks (Minnesota and Wisconsin), while the other two states have longer leaves of 12 weeks (Oregon) and 13 weeks (Rhode Island). Minnesota exempts employers with fewer than 21 employees, Oregon exempts employers with fewer than 25 employees, and both Rhode Island and Wisconsin exempt employers with fewer than 50 employees. Rhode Island and Wisconsin require those employers that provide health insurance to continue their contribution during the leave period. In addition, Rhode Island is one of only five states nationwide that has passed legislation requiring a temporary disability insurance (TDI) plan. In Rhode Island, TDI premiums are paid by employees through payroll deductions unless employers opt to cover part or all of the cost as a fringe benefit. TDI payments provide partial wage replacement during leaves for short-term disability, including maternity.

The State Parental Leave Study was designed in a unique way. In each of the selected states, the Governor or Lieutenant Governor serving as the study's state sponsor worked with the Families and Work Institute to convene a State Advisory Panel that brought together individuals representing both sides of the parental leave legislation debate. The purpose of convening this group of individuals with diverse viewpoints on the issue was to raise the most pertinent public policy questions for *The State Parental Leave Study* to address. State Advisory Panel members were then invited to review and comment on the questionnaires developed by the Families and

* Although the bills in many of the states and the proposed Congressional bills also include leave for personal and family illness, this study has focused on leave for birth or adoption.

Work Institute. The methodology, design, and findings of the study were also reviewed by a Panel of National Experts.

In each of the states, parent samples were obtained of approximately 1,000 biological mothers whose children were born 3 to 9 months before enactment of the state parental leave law and 1,000 biological mothers whose children were born 6 to 12 months after enactment. Response rates ranged from 47 to 68 percent for the pre-statute samples and from 45 to 79 percent for the post-statute samples. The employer samples, consisting of 1,000 to 1,500 employers per state, were selected from the employer rolls of the state agency responsible for maintaining official databases for unemployment insurance records. Employers were surveyed approximately 2 to 3 years after the passage of their state laws. Employer response rates ranged from 30 to 40 percent. Since the response rate was somewhat low, an analysis was conducted for two states to determine whether those employers that did not complete the questionnaire differed from the employers that did respond in terms of location, industry, or size. No statistically significant differences were found, suggesting that respondents were representative of all employers in the states.

Major Findings from The State Parental Leave Study

Impact of Parental Leave Legislation on Employers

Implementation of state leave legislation was easy for the vast majority of employers 2 to 3 years after its passage.

Before their passage there was a great deal of debate about how difficult it would be for companies to comply with the new laws. Only 9 percent of the employers in the four states found implementation difficult; 91 percent did not have problems with implementation. In fact, 39 percent found it extremely easy.

It is possible that so few companies had a hard time complying with the laws because many had already developed policies and practices that were not far out of "sync" with what these parental leave laws required. For example, 83 percent of employers in the four states reported that they had provided job-guaranteed leaves to biological mothers before the passage of the laws. Of the 60 percent that provided health insurance, 67 percent continued their employer contribution during the leave period. Those employers that set time limits on the length of disability leave before enactment provided 11 weeks of leave on average.

While many employers made various components of leave available to new parents before enactment of the laws, far fewer offered the full *package* of leave benefits required by the laws and 13 percent of employers allowed less than the medically recommended minimum of 6 weeks. Although written leave policies are not required by law, it is significant that only 25 percent of the employers had them during the pre-statute period. The remaining 75 percent left leave arrangements to be negotiated between individual employees and their supervisors.

The majority of covered employers did not report substantial costs resulting from parental leave legislation.

The majority of employers reported "no increase" in costs for training (71 percent), administration (55 percent), or unemployment insurance (81 percent) related to compliance with leave statutes, and only a small minority reported "significant" cost increases in training (4 percent), administration (6 percent), or unemployment insurance (2 percent). Larger proportions perceived "some" increase—training (26 percent), administration (39 percent), and unemployment insurance (17 percent). Regarding health insurance, 27 percent of employers reported "some" increase; 73 percent, no increase.

Further analysis suggested that employers' perceptions of increased costs reflected, in part, general cost increases, especially in health insurance, rather than new costs created by the passage of parental leave laws.

The vast majority of employers did not cut back on health insurance benefits as a result of parental leave laws.

It has been suggested that employers might reduce health insurance benefits to offset new costs associated with parental leave. However, only 6 percent of employers reported reducing health insurance benefit levels in response to parental leave laws, while 85 percent reported no

change and 8 percent stated they had actually increased benefits. Interestingly, employers in Rhode Island and Wisconsin*—the only states requiring continuation of employer contributions to health insurance plans during leave—were least likely to reduce benefit levels.

Relatively few employers relied on temporary workers to replace employees on leave.

The most frequent method of handling the work of the employee on leave in the four states was to assign work temporarily to another employee. Sixty-seven percent of covered employers used this method "most often," while only 23 percent brought in outside temporary employees "most often." There was no difference between smaller and larger employers with respect to the main method used for covering leaves.

Small companies did not have more difficulty in complying with the leave laws than did larger ones, nor were they more likely to report increased costs.

Within the size range covered by laws in the four states (21 or more employees in Minnesota, 25 or more in Oregon, and 50 or more in Rhode Island and Wisconsin), company size was not related to reported difficulty implementing the parental leave benefits required by law. Moreover, smaller companies (21 to 49 employees) were no more, or less, likely than larger companies (50 to 99, and 100 or more employees) to report increased costs related to compliance with state laws.

IMPACT OF PARENTAL LEAVE LEGISLATION ON PARENT EMPLOYEES

Possibly another reason that employers did not have trouble complying with the new laws is that there was little change in the way most mothers took parental leave before and soon after the enactment of leave legislation.

* In Wisconsin, employers may require employees to deposit the full premium for 8 weeks of coverage into an interest-bearing escrow account. In Rhode Island, employees must pay the full premium into an escrow account while on leave. The employer is to return this payment within 10 days of the employee's return to work.

The proportion of biological mothers taking leave showed no increase 6 to 12 months after the state laws were enacted: 78.6 percent took leaves before enactment and 78.4 percent after enactment. Furthermore, there was no change in the proportion of women who were apparently denied leaves before and after passage of the laws (less than 4 percent at most). Nor did the amount of leave taken by biological mothers change: 12.6 weeks before the legislation, 12.1 weeks after it. This is more time off than the laws specified in three of the four states.

It is likely that little change has occurred because most mothers cannot afford to take more time off without some protection against loss of income. One out of five mothers reported wanting to take more time off. The major reason given for returning to work was economic necessity.

Another possible explanation of the lack of impact on biological mothers is that only 54 percent of mothers were aware of the new laws providing parental leave. Lower-income mothers were much less likely to be aware of their rights under the new laws than higher-income mothers.

After enactment, there was a trend toward fewer women taking fewer than the medically advised minimum of 6 weeks off after childbirth.

One of the more interesting trends observed soon after passage of the parental leave legislation was that a smaller proportion of women took fewer than 6 weeks off to recover physically from childbirth. Perhaps as more women become aware of the parental leave laws, fewer still will return to work before it is medically advised or before they feel ready to leave their new babies.

Women from lower-income households took less time off from work after childbirth.

Women from lower-income households took shorter leaves on average than more affluent women and were more likely to take fewer than the medically recommended 6 weeks of leave to recuperate from childbirth. Among women from households with annual gross income less than $10,000 prior to childbirth, the average amount of leave taken after childbirth was 9.5 weeks and 21 percent took fewer than 6 weeks off. In contrast, among women with household incomes of $60,000 or more before childbirth, the average amount of leave taken was 13.8 weeks and only 7 percent took fewer than 6 weeks off. Women in middle-income households took leaves that

fell between these extremes. Helping to explain these findings is the fact that women in the lowest income households were also much less likely (41 percent) to have any income during the leave period related to their jobs or from temporary disability insurance than women in the highest income households (81 percent).

Women—especially lower-income women—in Rhode Island, a state requiring temporary disability insurance (TDI) that provides some wage replacement during leave, were least likely to take fewer than 6 weeks, both before and after the passage of legislation.*

Before the statute was passed, only 7 percent of Rhode Island mothers took fewer than 6 weeks off, compared to 18 percent in Oregon and 9 percent in both Minnesota and Wisconsin. After passage of the state laws, this rate fell to 2 percent in Rhode Island, compared to 19 percent in Oregon, 6 percent in Wisconsin, and 4 percent in Minnesota.

One of the most important findings of this study concerns lower-income women in Rhode Island. In this state, no lower-income women (household incomes under $20,000) took fewer than 6 weeks off after childbirth after the enactment of legislation, compared with 19 percent of lower-income women who took fewer than 6 weeks in the other three states. In addition, lower-income women in Rhode Island took longer leaves (13 weeks on average) than lower-income women in the other states (9.4 weeks on average).

Although the Rhode Island statute granted the most generous leave (13 weeks), this does not account for the magnitude of the difference, nor can it account for the fact that Rhode Island mothers took significantly longer leaves *before* the parental leave statute was enacted. The obvious explanation is that Rhode Island, through its temporary disability plan enacted in 1942, in effect grants a paid disability leave to most workers. TDI seems to reduce the disparity in leave-taking between lower-income and higher-income women.

85 percent of biological mothers returned to work to the same employers after their leaves, both before and after passage of parental leave laws.

* In 1991, Rhode Island TDI payment is calculated at 1 percent of employee's gross earnings up to a maximum of $25,300. Thus, the most an employee could contribute is $253.00 per year. The average Rhode Island employee contributes $198.12 per year ($3.81 per week).

The proportion of biological mothers in the combined four-state sample who returned to the same employer after their leaves was 85 percent before and after passage of state parental leave laws.

Mothers were more likely to return to their jobs when they earned more per hour, when they placed a higher value on paid employment, and when their families were more dependent on their earnings. The more family-friendly the workplace, the more likely the mothers were to return.

Following enactment of parental leave statutes, more fathers took time off and they were more likely to use unpaid leave policies to do so.

The proportion of men working for covered employers who took leaves increased significantly, from 70 percent before passage of the laws to 75 percent afterward. Although the large majority of fathers taking leaves used company policies for paid time off (paid vacation days or sick days), the proportion using unpaid parental leave rose significantly from 19 to 22 percent. While not statistically significant, the number of work days fathers took off also increased from 3.7 to 4.7 days—nearly an entire work week on average.

IMPACT OF THE PROPOSED FEDERAL LEGISLATION

Only one in seven employers in the four states had pre-statute policies and practices that would meet the requirements of the proposed federal leave legislation.

In terms of their parental leave provisions, the proposed bills in the U.S. Congress require employers with more than 50 employees to provide 12 weeks of job-guaranteed leave to biological mothers, biological fathers, and adoptive parents, with continuation of pre-existing health insurance benefits. Fifty percent of employers with more than 50 employees in the four states had pre-statute practices and policies* meeting the federal bill's requirements for biological mothers. Because fathers and adoptive parents had less access to leaves in these states during the pre-statute period, compliance with proposed federal standards dropped dramatically when

* Pre-statute policies and practices were used in this analysis in order to indicate the possible impact on employers in states that have not enacted parental leave legislation. It is, of course, unclear the extent to which other states' policies and practices differ with those in Minnesota, Oregon, Rhode Island, and Wisconsin.

leave benefits for fathers and adoptive parents were added to the analyses. Overall, only 14 percent of employers (one in seven) in the four states had pre-statute policies and practices that conformed to the proposed federal bill's coverage for *all* parents—biological mothers and fathers as well as adoptive parents.

While the findings from this study reveal that many women were able to negotiate acceptable leaves even before the enactment of state parental leave laws, the passage of federal legislation would bring policy more in line with what actually occurs and protect those employees unable to negotiate leaves on their own.

CONCLUSION

Statutes like the unpaid parental leave laws in the four states have the effect of institutionalizing employers' leave practices by specifying a certain number of weeks of leave and providing job guarantees. This study shows that the most immediate *effect* of the passage of parental leave laws seems to be a small reduction in the proportion of women who take fewer than 6 weeks off after childbirth (less than the medically recommended length) and a small increase in the proportion of fathers who take leaves. Given the minimal difficulty in compliance and the lack of significant costs for the majority of employers, the passage of federal parental leave laws would present few operational problems for the vast majority of employers. Nor would it lead to significantly increased costs for employers.

Of utmost importance for parents is the eventual combination of parental leave legislation with temporary disability insurance so that families at all economic levels can afford to take time off to care for their children.

The Families and Work Institute is a non-profit research and planning organization that conducts research on business, government, and community efforts to help employees balance their job and family responsibilities.